

**Managers**

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Date

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Capital is at risk.
Please read full risk
warning at the end
of this document.

Monthly Commentary: November 2024

Global Essential Infrastructure

- ▀ Invests in a portfolio of 25-45 high-quality companies providing essential infrastructure around the globe
- ▀ Focus on essential infrastructure is designed to provide attractive long-term returns supported by a healthy yield and superior downside protection
- ▀ Companies can also provide strong inflation protection, because of the nature of the assets involved and the regulation and contracts that exist

Performance

Fund performance for the month of October 2024 was +1.84%, compared to a return of -0.66% for the IA Infrastructure sector average.

During the month, equity markets faced volatility due to rising bond yields, higher inflation fears and geopolitical tensions, particularly in the Middle East. The yield on the US 10-year Treasuries rose from 3.78% to 4.28% during the month, taking it to its highest level since July. Uncertainty over the US election outcomes also added to investor caution in October.

In November, the election of President Trump was welcomed by the market on pro-business policies compared to higher taxes and other restrictions under the alternative. From an earnings outlook perspective, the US economy is expected to perform well under Trump in 2025, and onshoring policies and protection should be beneficial for the US economy. However, the prospect of a trade war with China and Europe with rising tariffs could be a significant risk to earnings in a number of China facing sectors, including those whose manufacturing base is in China, those that sell to China including resources, and energy related assets. We are monitoring these risks closely, but earnings growth should benefit overall with a pro-business US government.

Within Essential Infrastructure, the energy infrastructure sector rose close to 10% during the month, whilst most other sectors fell. The longer duration sectors such as mobile phone towers and utilities fell during the month as bond yields weighed.

In terms of individual names, **South Bow** was the top performer during the month, rising 19%. South Bow was recently spun off from TC Energy and owns the Keystone oil pipeline that takes crude oil from the Canadian oil sands down into the US. US utility **Entergy** rose 18% during the month, as strong results led the company to increase long-term EPS growth guidance to 8-9%. This is now the highest growth rate in the US utility sector and reflects the first benefits of AI and data centre demand feeding through into earnings guidance, a very positive signal for the group. Elsewhere, other energy infrastructure names **Williams**, **Targa** and **TC Energy** all rose by over 10% during the month.

On the negative side, Belgian grid name **Elia** fell 15%, US mobile phone tower name **Crown Castle** fell 9% and UK water utility **Pennon** fell 8%, all despite no significant fundamental news.

Strategy & Outlook

Earnings season is now in full swing, and updates so far have been positive, with the standout performer, Entergy, potentially heralding an upwards shift in growth for utilities. If other utilities follow suit over the coming months, this could change how these stocks are viewed by generalist

investors – who wouldn't want 8-9% almost guaranteed annual EPS growth over the next 5 years, given all the macro uncertainty?

Valuations still look attractive, and fundamentals look as strong as ever. In the short term, we have the US election that clearly will add volatility, but in the longer-term the impacts tend to be muted. For example, for all his railing against renewable energy, under the previous Trump administration we saw the largest build out of renewable energy in the US, ever. Similarly, under Obama's administration, we saw a material increase in drilling for oil and gas in the US, driven by the fracking revolution. As a result of the difference in perception versus reality, there will likely be some opportunities that arise from the election which we will look to take advantage of.

Infra Know

South Bow Corporation is a recent spin off from Canadian energy infrastructure company TC Energy. South Bow's name reflects its origins near Canada's Bow River and acknowledges the strategic corridor of their system, southwards into the US Midwest and Gulf Coast. South Bow's main asset is the Keystone Pipeline System, a 4,327 km system which plays a key role in delivering Canadian and US crude oil to refining markets in Illinois, Oklahoma and Texas.

Risk Warnings

Capital is at risk. The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest. Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds. Our funds invest for the long-term and may not be appropriate for investors who plan to take money out within five years. The Fund will be exposed to stock markets and market conditions can change rapidly. Prices can move irrationally and be affected unpredictably by diverse factors, including political and economic events. The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of your investment. The Fund invests mainly in the global infrastructure sector therefore investments will be vulnerable to sentiment in that sector. The Fund may therefore be more volatile than more diversified funds. The Fund may be vulnerable to factors that particularly affect the infrastructure sector, for example natural disasters, operational disruption and national and local environmental laws. In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. In extreme market conditions redemptions in the underlying funds or the Fund itself may be deferred or suspended. All or part of the fees and expenses may be charged to the capital of the Fund rather than being deducted from income. Future capital growth may be constrained as a result of this.

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Copies of the Prospectus and Key Investor Information Documents are available from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the registered office above.

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